

OGC Has Reviewed

Acting Director

3 June 1944

General Counsel

Special Funds Intended for Foreign Currencies

~~CONFIDENTIAL~~

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With reference to the memorandum concerning foreign exchange from this office to the Chief, Special Funds Branch, dated 23 May 1944, the various problems raised therein were discussed in a meeting in Colonel [redacted] office on 26 May 1944. The meeting was attended by Colonel [redacted] and the undersigned.

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I set forth the various considerations involved and stated that while we felt reasonably certain of the conclusions reached by this office, I believed that in view of the amount and nature of funds involved General Dorevan would wish us to take every step necessary to assure a proper and sound determination. This, as stated in our memorandum, involved consultation perhaps with the Treasury Department but, more particularly, with the General Accounting Office. If we found that the latter agency refused to advise us even informally on the subject, we then might have to turn to the Attorney General. This procedure was agreed upon at the conference.

On 30 May 1944 Mr. [redacted] of Special Funds and I went to the Treasury Department for a conference with G. L. Allen, Chief Disbursing Officer, and E. J. Brennan, his chief assistant. We emphasized to both gentlemen that OGC had no interest in the answers to the problems other than a desire to make a sound determination upon which the Director could rely. We further stated that at no time would we wish to risk a charge that we had wilfully increased our appropriation for the fiscal year 1945 out of funds granted by Congress for the fiscal year 1944. After full discussion, Mr. Allen and Mr. Brennan agreed that it would appear that dollar funds, used for the purchase of foreign currencies intended for operational purposes, were "expended" at the time of such purchases. They expressly stipulated, however, that this should not be regarded as an expression of official opinion, since they did not believe that the Treasury has any jurisdiction in the matter. They stated

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that so long as this agency files with the Treasury a certificate executed by the Director in proper form, they have no interest in going behind the certificate to ascertain whether or not the funds have been expended, whether the objects of expenditures were proper, etc. It was their judgment that in final analysis this is an OSS problem but they agreed that if the Comptroller General would be willing to give us advice on the matter, his opinion should be followed unless we determined for very sound reasons that we should take other steps.

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On 1 June 1944 [redacted] and I conferred on these problems in the General Accounting Office with Lindsay C. Warren, Comptroller General of the United States, and J. C. McFarland, General Counsel to the G.A.O. I first generally referred to the Director's keen awareness of his responsibility with respect to Special Funds. We emphasized that our sole desire is to do what is proper under the circumstances and that while we realized that the G.A.O. lacks jurisdiction over Special Funds, this was a matter on which we wished to confer with the officials within the Government who probably could best advise us on such problems. Following a general discussion, it was the opinion of Mr. Warren and Mr. McFarland that OSS funds used to purchase foreign currencies for the purpose of financing agents and similar secret operations in foreign theaters should be considered as having been "expended" at the time of such purchases and that while accurate accounts should be maintained, there is no need for any readjustment, with respect to such funds, between the appropriations for fiscal years 1944 and 1945. They agreed with my suggestion that in principle this no more represents an improper supplementing of 1945 appropriations than the purchase of coal this year to be burned in part now and in part during the winter of 1944-1945.

The gentlemen further declared that the Agent-Cashier who conducts the various day-to-day transactions in foreign exchange should keep a profit-and-loss account in which these transactions should be noted. They stated that at the end of the year any loss may be viewed as an operating expense of this office and that any net profit should be covered into the Treasury as a miscellaneous receipt. This could be done, they stated, once per annum at the end of the fiscal year. They agreed that the principal thing to be avoided is any use of net profits by this organization.

Mr. Warren further stated that OSS was to be commended for presenting these problems in a forthright way to Mr. McFarland and himself, stating that he would have done the same under similar circumstances. Mr. Warren stated that if at any time in the future anyone within the General Accounting Office should raise any questions which concern the matters which were discussed that day, we should immediately call this to the attention of Mr. McFarland or himself and he promised that the matter would receive his personal attention.

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I have asked Colonel [REDACTED] and Mr. [REDACTED] to initial this memorandum, indicating that it is correct insofar as each has knowledge of what I have set forth.

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cc: Col.
Col.
Mr.
Mr.

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